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Transportation Congestion Improvement Act. Allocation of Existing Motor Vehicle Fuel Sales and Use Tax Revenues for Transportation Purposes Only.

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**TRANSPORTATION CONGESTION IMPROVEMENT ACT.
ALLOCATION OF EXISTING MOTOR VEHICLE FUEL SALES AND
USE TAX REVENUES FOR TRANSPORTATION PURPOSES ONLY.
LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

OFFICIAL TITLE AND SUMMARY

Prepared by the Attorney General

**TRANSPORTATION CONGESTION IMPROVEMENT ACT. ALLOCATION OF EXISTING MOTOR VEHICLE
FUEL SALES AND USE TAX REVENUES FOR TRANSPORTATION PURPOSES ONLY.
LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

42

- Requires, effective 7/1/03, existing revenues from state sales and use taxes on sale of motor vehicle fuel be used for transportation purposes as provided by law until 6/30/08.
- Requires, effective 7/1/08, existing revenues resulting from state sales and use taxes on sale of motor vehicle fuel be used for public transportation; city and county street and road repairs and improvements; and state highway improvements.
- Requires two-thirds vote of the Legislature to suspend or modify percentage allocations of revenues.

**SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT
FISCAL IMPACT:**

- Starting in 2008–09, about \$1.4 billion in gasoline sales tax revenues, increasing annually thereafter, would continue to be used for state and local transportation purposes.

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 4 (PROPOSITION 42)

Assembly: Ayes 68 Noes 2

Senate: Ayes 36 Noes 1

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

California spends over \$15 billion annually to maintain, operate, and improve its highways, streets and roads, rail, and transit systems. About half of these revenues come from the local level in the form of local sales and property taxes and transit fares. The remainder comes from the state and federal levels, largely as motor fuel (gasoline) and diesel fuel taxes and truck weight fees.

Currently, the state levies two types of taxes on gasoline and diesel fuel:

- An excise tax of 18 cents on each gallon of gasoline and diesel fuel.
- A sales tax on the sales of gasoline and diesel fuel. The statewide rate is 5.75 percent through 2001. This rate will change to 6 percent on January 1, 2002.

Revenues from the state excise tax on gasoline and diesel fuel used on public roads total about \$3 billion a year. These revenues are dedicated to transportation purposes.

Revenues from most of the state sales tax on diesel fuel—4.75 percent out of the statewide rate—are also used for transportation. However, most of the revenues from the state sales tax on gasoline have historically been used for various general purposes, including education, health, social services, corrections, and local government fiscal relief. Only a small portion of the state gasoline sales tax revenues have been used for transportation.

In 2000, the Transportation Congestion Relief Program (TCRP) was enacted in California. Under the program, gasoline sales tax revenues will be used from 2003–04 through 2007–08 for specified transportation purposes including highways, streets and roads, and transit improvements. Thereafter, these revenues will be available for various general state purposes.

PROPOSAL

This measure places in the State Constitution those provisions of current law that require that, from 2003–04 through 2007–08, gasoline sales tax revenues be used for specified state and local transportation purposes. The revenues would be allocated for transportation purposes specified under the TCRP.

In addition, the measure requires that starting in 2008–09 the gasoline sales tax revenues continue to be used for state and local transportation purposes. The revenues would be allocated as follows:

- 20 percent to public transportation.
- 40 percent to transportation improvement projects funded in the State Transportation Improvement Program, a five-year transportation capital investment program.
- 40 percent to local streets and roads improvements; with half of the amount (20 percent) allocated to counties and half to cities.

The measure authorizes the Legislature to modify this distribution of the revenues with a two-thirds vote. The measure also provides that the use of these revenues for transportation purposes can be suspended under specified conditions.

FISCAL EFFECT

The measure places in the State Constitution those provisions of current law that require the use of state gasoline sales tax revenues for state and local transportation purposes from 2003–04 through 2007–08. Consequently, for that period, the measure would have no additional fiscal impact.

Beginning in 2008–09, the measure requires that state gasoline sales tax revenues continue to be used for transportation purposes in the future. The amount that would be used is projected to be about \$1.4 billion in 2008–09, increasing annually thereafter, depending on increases in gasoline prices and consumption.

TRANSPORTATION CONGESTION IMPROVEMENT ACT. ALLOCATION OF EXISTING MOTOR VEHICLE FUEL SALES AND USE TAX REVENUES FOR TRANSPORTATION PURPOSES ONLY. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

ARGUMENT IN FAVOR OF PROPOSITION 42

Proposition 42 is based on the principle that the gasoline sales tax you pay when filling up your tank ought to be used to improve our transportation system.

That's exactly what Prop. 42 does. It requires the gasoline sales tax we're *already* paying be spent IMPROVING OUR HIGHWAYS, LOCAL STREETS and MASS TRANSIT—WITHOUT INCREASING OR IMPOSING ANY NEW TAXES.

Years of neglect have left California with the NATION'S THIRD MOST DETERIORATED ROADS. California's urban areas top national rankings for TRAFFIC GRIDLOCK. SAFETY has become an overriding concern. Federal Highway Administration data show 6,000 CALIFORNIA BRIDGES and OVERPASSES are STRUCTURALLY DEFICIENT or no longer meet highway safety or design standards.

We need sound planning and Prop. 42's STABLE, ONGOING FUNDING SOURCE to IMPROVE ROAD SAFETY, REDUCE CONGESTION and better plan for future growth.

PROP. 42 GETS CALIFORNIA MOVING AGAIN by guaranteeing funds to help:

- IMPROVE the SAFETY of our streets, highways, bridges and overpasses.
- Speed up delivery of planned TRAFFIC RELIEF PROJECTS AND REPAIRS on highways and interchanges throughout California, including Interstate Routes: 5, 10, 15, 880, 215, 405, 80, 605, 680 and 805; and State Routes 101, 24, 50, 60, 52, 55, 56, 58, 91, 180, 84 and 99.
- Improve LOCAL BUS SERVICES; LIGHT RAIL SYSTEMS such as VTA in San Jose, Sacramento, MUNI, Green and Blue lines in Los Angeles, and the San Diego trolley; and COMMUTER SYSTEMS such as BART, Caltrain, Capitol Corridor, Southern California's MetroLink, ACE, and the Coasters in San Diego; and special local transit services for the elderly and disabled.
- Enable every city and county to FIX POTHOLES and dangerous intersections, and IMPROVE LOCAL ROADS.

PROP. 42 CREATES JOBS AND BOOSTS THE ECONOMY
Speeding up transportation project delivery has the added benefit

of creating thousands of new construction, engineering and other jobs when we need them the most. And U.S. Department of Transportation figures show every dollar spent on highway improvements generates nearly six times that amount in economic benefits.

BUSINESS ORGANIZATIONS AND LABOR UNIONS SUPPORT 42 because an investment in our transportation system is an investment in our economy and putting Californians back to work.

TAXPAYER GROUPS SUPPORT 42 because using *existing* tax revenues from the gas pump is a responsible way to fund transportation improvements *without* imposing higher taxes. And AN ANNUAL AUDIT WILL BE REQUIRED OF ALL PROP. 42 FUNDS to help ensure those projects get delivered on time and on budget.

LAW ENFORCEMENT, PUBLIC SAFETY OFFICIALS and SEISMIC SAFETY ENGINEERS SUPPORT 42 because it will reduce dangerous traffic and road conditions, accelerate rescue times and save lives.

PARENTS SUPPORT 42 because, as Assemblymember Barbara Matthews points out, it provides needed funds to *improve street safety conditions around schools to protect children*.

AUTO CLUBS, MOTORISTS AND MASS TRANSIT RIDERS SUPPORT 42 because it helps speed up the delivery of thousands of overdue traffic relief, highway safety and mass transit projects.

Authored by Assembly Transportation Chair John Dutra, Prop. 42 will help MAKE OUR ROADS SAFER and REDUCE CONGESTION WITHOUT HIGHER TAXES.

VOTE YES on 42.

COMMISSIONER DWIGHT HELMICK

California Highway Patrol

LEO SOONG, Chair of the Board

California State Automobile Association—AAA

LIEUTENANT ED GRAY, President

California Organization of Police and Sheriffs (COPS)

REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 42

As we are voting, California is in the midst of an economic downturn. The Governor and Legislature are struggling with difficult decisions: either cut deeply into essential government programs like public health and education or find ways to increase revenues.

That's why Prop 42 is ill conceived—pitting vital programs against each other—and badly timed.

Prop 42 locks into the Constitution in 2002, spending priorities for 2008. And, it puts transportation funding ahead of priorities for education, health and safety concerns.

Vote No on Prop 42.

We already pay a gasoline tax. Together with other dedicated taxes, it provides \$6.5 billion annually for transportation. Now Prop 42 proposes dedicating to transportation another \$1.2 billion in general sales tax revenues currently being used for other vital services.

As California's revenues shrink, this is the wrong time to lock the Constitution into new restrictions.

We cannot spend the same dollar twice. Prop 42 will force \$1.2 billion in *cuts* in vital education, health care, and public safety services in order to pay for \$1.2 billion in *increased spending* on transportation.

That just doesn't make sense.

We should not be voting in 2002 on something that will not take effect until 2008.

Think about it. Six years ago Bill Clinton had just been re-elected, the dot.com phenomenon was just taking off, the economy was growing and so were state government revenues.

Six years later we are living in a very different world.

Vote No on Prop 42.

LENNY GOLDBERG, Director

California Tax Reform Association

VIOLA GONZALES, Executive Director

Latino Issues Forum

JEFF SEDIVEC, President

California State Firefighters' Association

ARGUMENT AGAINST PROPOSITION 42

PROP 42 HAS US VOTING IN 2002 ON SOMETHING THAT WILL NOT TAKE EFFECT UNTIL 2008.

Do you know what California's spending priorities should be in the year 2008 or beyond?

If you don't, then you should VOTE *No on Prop 42*.

If Prop 42 passes and goes into effect in 2008, it will force \$1.2 billion in cuts in vital education, health care and public safety services. Are you sure we should be locking ourselves into that kind of spending priority today?

VOTE NO ON PROP 42.

Since Sept 11 of last year, the requirements on government have changed dramatically. Government has greater demands to protect our public safety and public health as well as to protect and increase our investment in our public schools and colleges.

And it needs to be flexible in order to do so.

PROP 42'S SPENDING PRIORITIES SHOULD NOT BE LOCKED INTO THE CONSTITUTION.

If Prop 42 were in effect today, the state would be forced to cut \$1,200,000,000 in services such as education and health care in order to pay for \$1,200,000,000 in increased spending on transportation.

Are these the right priorities in 2002? We don't think so. Will they be the right priorities in 2008? Who knows?

Prop 42 also locks into the Constitution a specific formula for how this new spending pie would be divided up among transportation interests. Even if the world changes, or there are new technologies, or there are new public safety requirements, *this formula would stay in the Constitution forever*.

That's a bureaucrat's paradise: lots of taxpayer money to spend, no accountability, and no competition with other priorities.

Read Prop 42. It locks into the Constitution billions of new spending without the bureaucrats who will be responsible for spending it being held accountable by taxpayers.

PROP 42 IS UNNECESSARY.

Education, health care and public safety are real needs. So is spending on transportation. That's why between the gas tax, vehicle fees, and state-dedicated sales taxes, *California already guarantees about \$6.5 billion in spending on highways and transit each year*—not including billions in locally-enacted taxes spent for transportation at the direction of the voters. And voters have been willing to tax themselves for transportation—when the funds are used in an accountable manner.

A measure just like Proposition 42 was overwhelmingly voted down by the people over 10 years ago, precisely because it would have caused cuts in other programs—like public safety, education and health care. And because it provided no accountability for how the money is spent.

The world has changed, and it will change again. No one has a crystal ball. Who can tell us today what our priorities should be in 2008?

What we do know today is that forcing cuts in education, health care and other vital services in order to increase spending on transportation is wrong.

Protect our vital services. Protect our ability to set the right priorities in the future.

VOTE NO ON PROP. 42.

WAYNE JOHNSON, *President*

California Teachers Association

HOWARD OWENS, *President*

Congress of CA Seniors Education and Resource Foundation

WILLIAM D. POWERS, *President*

Health Access of California

REBUTTAL TO ARGUMENT AGAINST PROPOSITION 42

With all due respect, opponent claims are downright false. Please read Prop. 42 for yourself.

PROP. 42 TAKES EFFECT NEXT YEAR

It doesn't wait until 2008 (as opponents claim). It's all there in black and white: 42 guarantees the state gasoline sales tax (we already pay at the pump) goes right to work improving mass transit, highways and local roads.

PROP. 42 DOES NOT FORCE CUTS IN EDUCATION OR HEALTH CARE

That's a scare tactic. 42 is NOT a money grab—the *entire annual gasoline sales tax is only about 1% of the total state budget*. Prop. 42 simply requires transportation taxes be spent on transportation needs.

TAXPAYERS SUPPORT 42 BECAUSE IT'S NECESSARY AND RESPONSIBLE

Californians know firsthand that improvements are needed to relieve traffic and increase safety. Roads, dangerous intersections and 6000 bridges/overpasses await repair. 42 guarantees every city and county their fair share of this funding—WITHOUT RAISING TAXES. An annual audit helps ensure accountability to taxpayers.

PROP. 42 IS FLEXIBLE ENOUGH TO ADDRESS EMERGENCIES

Who knows better about post September 11 needs than police, fire and public safety officials—the very people urging support for 42. It was responsibly written to allow lawmakers flexibility in a fiscal emergency to use these funds for other priorities.

THE CALIFORNIA FIRE CHIEFS ASSOCIATION SAYS: "Prop. 42 will mean safer roads and highways."

Prop. 42 helps ensure transportation taxes we already pay are spent properly, and accountably, to IMPROVE ROAD SAFETY and REDUCE TRAFFIC—WITHOUT RAISING TAXES.

YES on 42!

DALLAS JONES, *Director*

California State Office of Emergency Services

MARIAN BERGESON, *Former Member*

California State Board of Education

LARRY MCCARTHY, *President*

California Taxpayers' Association

TEXT OF PROPOSED LAWS

PROPOSITION 41 (cont.)

19244. Notwithstanding any provision of the bond act, if the Treasurer sells bonds under this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax, subject to any conditions which may be designated, the Treasurer may establish separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted under

federal law necessary to maintain the tax-exempt status of the bonds or to obtain any other advantage under federal law on behalf of the funds of this state.

19245. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B.



PROPOSITION 42

This amendment proposed by Assembly Constitutional Amendment 4 of the 2001–2002 Regular Session (Resolution Chapter 87, Statutes of 2001) expressly amends the California Constitution by adding an article thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED ADDITION OF ARTICLE XIX B

ARTICLE XIX B

MOTOR VEHICLE FUEL SALES TAX
REVENUES AND TRANSPORTATION
IMPROVEMENT FUNDING

SECTION 1. (a) For the 2003–04 fiscal year and each fiscal year thereafter, all moneys that are collected during the fiscal year from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, and that are deposited in the General Fund of the State pursuant to that law, shall be transferred to the Transportation Investment Fund, which is hereby created in the State Treasury.

(b) (1) For the 2003–04 to 2007–08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on the operative date of this article.

(2) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:

(A) Public transit and mass transportation.

(B) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.

(C) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(D) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

(c) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:

(A) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) of subdivision (b).

(B) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).

(C) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) of subdivision (b).

(D) Twenty percent of the moneys for the purpose set forth in subparagraph (D) of paragraph (2) of subdivision (b).

(d) The transfer of revenues from the General Fund of the State to the Transportation Investment Fund pursuant to subdivision (a) may be suspended, in whole or in part, for a fiscal year if both of the following conditions are met:

(1) The Governor has issued a proclamation that declares that the transfer of revenues pursuant to subdivision (a) will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State.

(2) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues pursuant to subdivision (a), provided that the bill does not contain any other unrelated provision.

(e) The Legislature may enact a statute that modifies the percentage shares set forth in subdivision (c) by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the bill does not contain any other unrelated provision and that the moneys described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).



PROPOSITION 43

This amendment proposed by Assembly Constitutional Amendment 9 of the 2001–2002 Regular Session (Resolution Chapter 114, Statutes of 2001) expressly amends the California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT OF ARTICLE II

SEC. 2.5. A voter who casts a vote in an election in accordance with the laws of this state shall have that vote counted.